

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature <i>Siegfried Crandall P.C.</i>			Date	

Township of Ada
Kent County, Michigan
**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**
Year ended March 31, 2006

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Township of Ada
MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Township of Ada, Michigan's (the Township), financial performance provides a narrative overview of the Township's financial activities for the fiscal year ended March 31, 2006. Please read it in conjunction with the Township's financial statements.

FINANCIAL HIGHLIGHTS

- The Township's total net assets increased by \$1,877,148 (9 percent) as a result of this year's activities. Net assets of the governmental and business-type activities increased by \$745,891 and \$1,131,257, respectively.
- Of the \$24,071,011 total net assets reported, \$5,442,250 (23 percent) is unrestricted, or available to be used at the Board's discretion.
- The General Fund's unreserved fund balance at the end of the fiscal year was \$1,752,526, which represents 110 percent of the actual total General Fund expenditures for the current fiscal year.

Overview of the financial statements

The Township's basic financial statements are comprised of three parts: management's discussion and analysis, the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Township:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Township, reporting the Township's operations in more detail than the government-wide financial statements.
 - Governmental fund statements tell how general government services, like public safety, were financed in the short-term as well as what remains for future spending.
 - Proprietary fund statements offer short- and long-term financial information about the activities the government operates like a business, such as the sewer and water systems and construction code inspection services.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

A comparative analysis of the basic financial statements for 2006 and 2005 is also presented.

Township of Ada
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Government-wide financial statements

The government-wide financial statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the Township's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide statements report the Township's net assets and how they have changed. Net assets (the difference between the Township's assets and liabilities) are one way to measure the Township's financial health or position.

- Over time, increases or decreases in the Township's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Township, you need to consider additional nonfinancial factors such as changes in the Township's property tax base and the condition of the Township's capital assets.

The government-wide financial statements are divided into two categories:

- *Governmental activities* - Most of the Township's basic services are included here, such as police and fire protection and general government. Property taxes and state shared revenue finance most of these activities.
- *Business-type activities* - The Township charges fees to customers to help it cover the costs of certain services it provides. The Township's sewer and water systems and construction code inspection operations are reported here.

Fund financial statements

The fund financial statements provide more detailed information about the Township's most significant funds, not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by state law and by bond agreements.
- The Township Board establishes other funds to control and manage money for particular purposes (like the gypsy moth suppression program) or to show that it is properly using certain taxes and other revenues (like the public safety and parks millages).

The Township has two kinds of funds:

- *Governmental funds*. Most of the Township's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can be readily converted to cash, flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship between them.

Township of Ada
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Fund financial statements (Continued)

- *Proprietary funds.* Services for which the Township charges customers a fee are generally reported in proprietary funds. Proprietary funds statements, like the government-wide statements, provide both long-and short-term financial information. In fact, the Township's enterprise funds (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Net assets. Total net assets at the end of the fiscal year were \$24,071,011, an increase of 9 percent compared to the prior year. Of this total, \$16,162,525 is invested in capital assets and \$2,466,236 is restricted for various purposes. Consequently, unrestricted net assets were \$5,442,250, or 23 percent of the total. While the Township reports unrestricted net assets under both governmental and business-type activities, the unrestricted net assets of the business-type activities cannot be used to make up any net asset deficit in governmental activities.

Condensed financial information
Net Assets

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	<i>2005</i>	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>	<i>2006</i>
Current assets	\$ 3,501,086	\$ 4,131,761	\$ 4,230,456	\$ 4,154,133	\$ 7,731,542	\$ 8,285,894
Capital assets	4,313,348	4,355,756	11,097,304	12,226,769	15,410,652	16,582,525
Total assets	7,814,434	8,487,517	15,327,760	16,380,902	23,142,194	24,868,419
Long-term debt outstanding	-	-	525,000	420,000	525,000	420,000
Other liabilities	228,652	155,844	194,679	321,564	423,331	477,408
Total liabilities	228,652	155,844	719,679	741,564	948,331	897,408
Net assets:						
Invested in capital assets, net of related debt	4,313,348	4,355,756	10,572,304	11,806,769	14,885,652	16,162,525
Restricted	1,425,446	2,244,979	436,022	221,257	1,861,468	2,466,236
Unrestricted	1,846,988	1,730,938	3,599,755	3,711,312	5,446,743	5,442,250
Total net assets	\$ 7,585,782	\$ 8,331,673	\$ 14,608,081	\$ 15,739,338	\$ 22,193,863	\$ 24,071,011

Township of Ada
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE (Continued)

Changes in net assets. The Township's total revenues for 2006 were \$7,227,573. Nearly 28 percent of the Township's revenues come from property taxes while charges for services account for 35 percent of the revenues. State shared revenue accounts for only 9 percent of the Township's revenues.

The total cost of all the Township's programs for 2006, covering a wide range of services, totaled \$5,350,425. More than 49 percent of the Township's costs relate to the provision of utility services. Public safety (police and fire protection and building inspections) represents 18 percent of all costs.

Condensed financial information
Changes in Net Assets

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	<i>2005</i>	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>	<i>2006</i>
Program revenues:						
Charges for services	\$ 275,206	\$ 208,506	\$ 2,558,061	\$ 2,312,919	\$ 2,833,267	\$ 2,521,425
Operating grants and contributions	60,881	8,802	-	-	60,881	8,802
Capital grants and contributions	79,404	120,150	111,821	1,481,836	191,225	1,601,986
General revenues:						
Property taxes	1,822,639	2,010,657	-	-	1,822,639	2,010,657
State shared revenue	761,840	675,437	-	-	761,840	675,437
Interest on investments	57,876	175,933	50,556	134,050	108,432	309,983
Franchise fees	-	99,283	-	-	-	99,283
Total revenues	<u>3,057,846</u>	<u>3,298,768</u>	<u>2,720,438</u>	<u>3,928,805</u>	<u>5,778,284</u>	<u>7,227,573</u>
Expenses:						
Legislative	27,719	28,900	-	-	27,719	28,900
General government	1,068,209	1,122,593	-	-	1,068,209	1,122,593
Public safety	712,281	770,864	104,646	170,521	816,927	941,385
Public works	195,535	189,346	-	-	195,535	189,346
Culture and recreation	491,749	290,246	-	-	491,749	290,246
Community and economic development	141,775	150,928	-	-	141,775	150,928
Sewer	-	-	915,531	913,821	915,531	913,821
Water	-	-	1,689,652	1,713,206	1,689,652	1,713,206
Total expenses	<u>2,637,268</u>	<u>2,552,877</u>	<u>2,709,829</u>	<u>2,797,548</u>	<u>5,347,097</u>	<u>5,350,425</u>
Increase in net assets	<u>\$ 420,578</u>	<u>\$ 745,891</u>	<u>\$ 10,609</u>	<u>\$ 1,131,257</u>	<u>\$ 431,187</u>	<u>\$ 1,877,148</u>

Township of Ada
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Governmental activities

Governmental activities increased Township net assets by \$745,891 in 2006 compared to a \$420,578 increase in 2005. The primary reasons for this increase include the following:

- Public Safety activities increased net assets by \$254,299 as a result of a 5% increase in tax revenues and a 5% decrease in expenses.
- Parks and Lands activities increased net assets by \$287,938 as a result of an 8% increase in tax revenues and an 18% decrease in expenses.
- Interest income was more than \$128,000 higher than the prior year as a result of managing the Township investments for the best returns available.

The following table shows the costs of the Township's three largest programs, as well as the net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost shows the burden that was placed on the Township's taxpayers by each of these functions.

The total cost of all governmental activities was \$2,552,877.

However, the amount that our taxpayers paid for these activities through general revenues was \$2,215,419. Some of the cost was paid by:

- Those who directly benefited from the programs (\$208,506), or
- Other governments and individuals that subsidized certain programs with grants and contributions (\$128,952).

The Township paid for the \$2,215,419 "public benefit" portion with \$2,961,310 in property taxes and with other revenues, such as state shared revenue and interest income.

	<u>Total cost of services</u>	<u>Net cost of services</u>
General government	\$ 1,122,593	\$(1,030,043)
Public safety	770,864	(676,061)
Culture and recreation	290,246	(205,096)
Other	369,174	(304,219)
Totals	<u>\$ 2,552,877</u>	<u>\$(2,215,419)</u>

Business-type activities

Business-type activities increased the Township's net assets by \$1,131,257 in 2006 compared to a \$10,609 increase in 2005. The primary reason for the increase was capital contributions related to water and sewer projects. These noncash capital contributions were in the form of water and sewer mains turned over to the Utility Department following completion of construction of various projects.

Township of Ada
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Governmental funds

As of March 31, 2006, the Township's governmental funds reported combined ending fund balances of \$4,011,530, an increase of \$686,501 compared to last year's balances.

The General Fund experienced an increase of \$144,780 primarily because of increases in revenues that were 10% more than that which was budgeted. The areas of increase include taxes, interest, and charges for services. Expenses were approximately 4% less than what was anticipated.

In addition, these other changes in fund balances should be noted:

- The fund balance of the Public Safety Fund increased by \$254,299 due to expenses being less than anticipated. The fund balance is utilized for future needs of the fund including policing services, equipment, and staffing as may be justified.
- The fund balance of the Parks and Arboretum Fund increased by \$287,938 primarily because there were no open space purchases this year. Of that amount, \$161,709 will be added to the Open Space designation for future open space purchases as properties become available. The remainder will become part of the Parks fund balance to be used for development projects.

The General Fund is the chief operating fund of the Township. At the end of the fiscal year, unreserved fund balance was \$1,763,237, which represents 110 percent of the actual total General Fund expenditures for the current fiscal year. The fund balance of the General Fund represents 44 percent of the combined ending fund balances of the governmental funds.

General Fund budgetary highlights

The Township amended the General Fund budget to increase total expenditures by \$85,800 to reflect the cost of unanticipated expenditures, primarily costs associated with building maintenance.

Revenues, principally interest, were \$150,033 more than budgeted. General Fund expenditures were \$71,069 less than the amounts appropriated, which resulted in a \$221,102 positive budget variance, and a \$144,780 increase in fund balance compared to a budgeted \$76,322 decrease. The actual expenditures of one functional category, public works, exceeded the amounts appropriated. This budget variance resulted from a higher billing from the Utility Department for fire hydrant rental as a result of new fire hydrants in completed development projects. In addition, engineering expenses for the Thornapple River Drive trail project and Bronson Street project were incurred this year.

Capital assets and debt administration

Capital assets

The Township's investment in capital assets for its governmental and business-type activities as of March 31, 2006, amounts to \$16,582,525 (net of accumulated depreciation). This investment includes a broad range of assets including land, sewer and water facilities, buildings, and equipment. The net increase in the Township's net investment in capital assets for the current fiscal year was \$1,117,873 or 7 percent.

Township of Ada
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Capital assets (continued)

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>
Land	\$ 1,765,005	\$ -	\$ 1,765,005
Facilities	-	12,199,492	12,199,492
Buildings and improvements	1,222,982	19,202	1,242,184
Equipment	651,799	8,075	659,874
Vehicles	715,970	-	715,970
Totals	<u>\$ 4,355,756</u>	<u>\$ 12,226,769</u>	<u>\$ 16,582,525</u>

Major capital asset events during the current fiscal year included the following:

- The donation of water and sewer facilities, by developers, with costs totaling \$1,177,988
- Ada Trail improvements amounting to \$62,878
- Improvements at the fire station with costs of \$62,694
- Investment in new accounting software approximating \$22,000
- Acquisition of 13 computers for \$21,865

More detailed information about the Township's capital assets is presented in Note 5 of the basic financial statements.

Debt administration

At the end of the fiscal year, the Township had bonds outstanding in the amount of \$420,000, which represents a decrease of \$105,000, or 20 percent. All debt is backed by the full faith and credit of the Township.

Other noncurrent liabilities, totaling \$35,613, represent accrued compensated absences.

More detailed information about the Township's noncurrent obligations is presented in Note 7 of the basic financial statements.

Township of Ada
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Economic condition and outlook

Ada Township continues to be in a good financial condition as reflected in this years audit report and financial statements. The residents of our community have supported the recent renewals of parks and public safety millages which enhance our ability to provide the services anticipated. The Treasurer is continually managing the Township investments, resulting in a positive increase in interest revenue.

Except for cable franchising and state revenue sharing, the general outlook is positive. These two areas will require ongoing monitoring as any reductions will have a significant financial impact on the Township. Ada Township has been fully impacted by the reduction of statutory revenue sharing. The Township no longer receives any statutory revenue sharing and is only receiving the constitutional amount. The impact of the various federal and state legislative proceedings, currently taking place, that may affect cable franchise revenues and state shared revenues is uncertain at this point.

Contacting the Township's financial management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the resources it receives. If you have questions regarding any information provided in this report or need additional financial information, contact us at:

7330 Thornapple River Drive
P.O. Box 370
Ada, Michigan 49301
(616) 676-9191

You may also send an e-mail to any of the addresses noted below:

George Haga
Township Supervisor
ghaga@ada.mi.us

Deborah Ensing Milhuff
Township Clerk
millhuff@ada.mi.us

Diane Fase Pratt
Township Treasurer
pratt@ada.mi.us

INDEPENDENT AUDITORS' REPORT

Township Board
Township of Ada, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the nonmajor fund of the Township of Ada, Michigan, as of March 31, 2006, and for the year then ended, which collectively comprise the Township of Ada, Michigan's basic financial statements, as listed in the contents. These financial statements are the responsibility of the Township of Ada, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the nonmajor fund of the Township of Ada, Michigan, as of March 31, 2006, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 12 to the financial statements, the Township recorded prior period adjustments to correct the overstatement of certain receivables and capital assets at March 31, 2005.

The management's discussion and analysis and budgetary comparison schedules, as listed in the contents, are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Siegfried Crandall P.C.

May 12, 2006

BASIC FINANCIAL STATEMENTS

Township of Ada
STATEMENT OF NET ASSETS
 March 31, 2006

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>
ASSETS			
Current assets:			
Cash	\$ 3,491,087	\$ 3,530,665	\$ 7,021,752
Restricted cash	-	221,257	221,257
Investments	431,586	70,893	502,479
Receivables	194,800	322,456	517,256
Prepaid expenses	14,288	3,571	17,859
Inventory	-	5,291	5,291
Total current assets	<u>4,131,761</u>	<u>4,154,133</u>	<u>8,285,894</u>
Noncurrent assets - capital assets, net of accumulated depreciation	<u>4,355,756</u>	<u>12,226,769</u>	<u>16,582,525</u>
Total assets	<u>8,487,517</u>	<u>16,380,902</u>	<u>24,868,419</u>
LIABILITIES			
Current liabilities:			
Payables	120,231	221,564	341,795
Bonds payable	-	100,000	100,000
Total current liabilities	<u>120,231</u>	<u>321,564</u>	<u>441,795</u>
Noncurrent liabilities:			
Compensated absences	35,613	-	35,613
Bonds payable	-	320,000	320,000
Total noncurrent liabilities	<u>35,613</u>	<u>320,000</u>	<u>355,613</u>
Total liabilities	<u>155,844</u>	<u>641,564</u>	<u>797,408</u>
NET ASSETS			
Invested in capital assets, net of related debt	4,355,756	11,806,769	16,162,525
Restricted for:			
Public safety	1,316,590	-	1,316,590
Culture and recreation	928,389	-	928,389
Debt service	-	221,257	221,257
Unrestricted	<u>1,730,938</u>	<u>3,711,312</u>	<u>5,442,250</u>
Total net assets	<u>\$ 8,331,673</u>	<u>\$ 15,739,338</u>	<u>\$ 24,071,011</u>

See notes to the financial statements

Township of Ada
STATEMENT OF ACTIVITIES
Year ended March 31, 2006

Functions/Programs	<u>Expenses</u>	<u>Program revenues</u>		
		<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Capital grants and contributions</u>
Governmental activities:				
Legislative	\$ 28,900	\$ -	\$ -	\$ -
General government	1,122,593	92,550	-	-
Public safety	770,864	7,394	-	84,409
Public works	189,346	43,029	8,802	-
Culture and recreation	290,246	49,409	-	35,741
Community and economic development	150,928	16,124	-	-
Total governmental activities	<u>2,552,877</u>	<u>208,506</u>	<u>8,802</u>	<u>120,150</u>
Business-type activities:				
Sewer	913,821	664,997	-	701,768
Water	1,713,206	1,498,118	-	780,068
Inspections	170,521	149,804	-	-
Total business-type activities	<u>2,797,548</u>	<u>2,312,919</u>	<u>-</u>	<u>1,481,836</u>
Totals	<u>\$ 5,350,425</u>	<u>\$ 2,521,425</u>	<u>\$ 8,802</u>	<u>\$ 1,601,986</u>

General revenues:
Property taxes
State shared revenue
Interest income
Franchise fees

Total general revenues

Change in net assets

Net assets - beginning

Net assets - ending

Net (expenses) revenues and changes in net assets

<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>
\$ (28,900)		\$ (28,900)
(1,030,043)		(1,030,043)
(679,061)		(679,061)
(137,515)		(137,515)
(205,096)		(205,096)
<u>(134,804)</u>		<u>(134,804)</u>
 <u>(2,215,419)</u>		 <u>(2,215,419)</u>
	\$ 452,944	452,944
	564,980	564,980
	<u>(20,717)</u>	<u>(20,717)</u>
	 <u>997,207</u>	 <u>997,207</u>
<u>(2,215,419)</u>	<u>997,207</u>	<u>(1,218,212)</u>
 2,010,657	-	2,010,657
675,437	-	675,437
175,933	134,050	309,983
<u>99,283</u>	<u>-</u>	<u>99,283</u>
 <u>2,961,310</u>	 <u>134,050</u>	 <u>3,095,360</u>
 745,891	1,131,257	1,877,148
<u>7,585,782</u>	<u>14,608,081</u>	<u>22,193,863</u>
 <u>\$ 8,331,673</u>	 <u>\$ 15,739,338</u>	 <u>\$ 24,071,011</u>

See notes to the financial statements

Township of Ada
BALANCE SHEET - governmental funds
 March 31, 2006

	<u>Major funds</u>			<u>Nonmajor fund</u>	<u>Total governmental funds</u>
	<u>General</u>	<u>Public Safety</u>	<u>Parks and Arboretum</u>	<u>Gypsy Moth</u>	
ASSETS					
Cash	\$ 1,580,544	\$ 1,018,361	\$ 888,868	\$ 3,314	\$ 3,491,087
Investments	103,489	304,016	24,081	-	431,586
Receivables	145,595	32,667	16,538	-	194,800
Prepaid expenditures	10,711	3,089	488	-	14,288
Total assets	<u>\$ 1,840,339</u>	<u>\$ 1,358,133</u>	<u>\$ 929,975</u>	<u>\$ 3,314</u>	<u>\$ 4,131,761</u>
LIABILITIES AND FUND BALANCES					
Liabilities - payables	\$ 77,102	\$ 41,543	\$ 1,586	\$ -	\$ 120,231
Fund balances:					
Designated for:					
New equipment	-	237,295	-	-	237,295
Repairs	-	66,721	-	-	66,721
Open space acquisitions	-	-	563,920	-	563,920
Parks	-	-	363,981	-	363,981
Reserved for prepaid expenditures	10,711	3,089	488	-	14,288
Unreserved	<u>1,752,526</u>	<u>1,009,485</u>	<u>-</u>	<u>3,314</u>	<u>2,765,325</u>
Total fund balances	<u>1,763,237</u>	<u>1,316,590</u>	<u>928,389</u>	<u>3,314</u>	<u>4,011,530</u>
Total liabilities and fund balances	<u>\$ 1,840,339</u>	<u>\$ 1,358,133</u>	<u>\$ 929,975</u>	<u>\$ 3,314</u>	<u>\$ 4,131,761</u>
Total fund balances - total governmental funds					\$ 4,011,530
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:					
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.					4,355,756
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.					(35,613)
Net assets of <i>governmental activities</i> (page 4)					<u>\$ 8,331,673</u>

See notes to the financial statements

Township of Ada

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - governmental funds**

Year ended March 31, 2006

	Major funds			Nonmajor fund	Total governmental funds
	General	Public Safety	Parks and Arboretum	Gypsy Moth	
REVENUES					
Property taxes	\$ 679,855	\$ 873,518	\$ 457,284	\$ -	\$ 2,010,657
Licenses and permits	111,785	-	-	-	111,785
Federal grant	-	84,409	-	-	84,409
State grants	682,529	-	-	-	682,529
Charges for services	35,595	-	31,455	-	67,050
Interest and rentals	170,793	32,557	36,628	96	240,074
Other	62,918	3,682	35,664	-	102,264
Total revenues	1,743,475	994,166	561,031	96	3,298,768
EXPENDITURES					
Legislative	28,900	-	-	-	28,900
General government	1,105,166	-	-	-	1,105,166
Public safety	-	719,691	-	-	719,691
Public works	187,329	-	-	612	187,941
Culture and recreation	90,935	-	125,971	-	216,906
Community and economic development	154,404	-	-	-	154,404
Capital outlay	31,961	20,176	147,122	-	199,259
Total expenditures	1,598,695	739,867	273,093	612	2,612,267
NET CHANGES IN FUND BALANCES	144,780	254,299	287,938	(516)	686,501
FUND BALANCES - BEGINNING	1,618,457	1,062,291	640,451	3,830	3,325,029
FUND BALANCES - ENDING	\$ 1,763,237	\$ 1,316,590	\$ 928,389	\$ 3,314	\$ 4,011,530

See notes to the financial statements

Township of Ada

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - governmental funds (Continued)**

Year ended March 31, 2006

Reconciliation of the statement of revenues, expenditures, and changes in
fund balances to the statement of activities:

Net change in fund balances - total governmental funds (page 7) \$ 686,501

Amounts reported for *governmental activities* in the statement of activities
are different because:

Capital assets:

Assets acquired	209,983
Provision for depreciation	(167,575)

Changes in other assets/liabilities:

Net decrease in compensated absences	<u>16,982</u>
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Change in net assets of *governmental activities* (page 5) \$ 745,891

See notes to the financial statements

Township of Ada
STATEMENT OF NET ASSETS - proprietary funds
March 31, 2006

	Major funds		Nonmajor fund	
	Sewer	Water	Inspections	Totals
ASSETS				
Current assets:				
Cash	\$ 2,391,832	\$ 1,082,144	\$ 56,689	\$ 3,530,665
Restricted cash	-	221,257	-	221,257
Investments	-	70,893	-	70,893
Receivables	132,782	189,674	-	322,456
Prepaid expenses	1,216	1,216	1,139	3,571
Inventory	-	5,291	-	5,291
Total current assets	2,525,830	1,570,475	57,828	4,154,133
Noncurrent assets:				
Capital assets, net of accumulated depreciation	5,358,575	6,868,194	-	12,226,769
Total assets	7,884,405	8,438,669	57,828	16,380,902
LIABILITIES				
Current liabilities:				
Payables	97,313	123,801	450	221,564
Bond payable	-	100,000	-	100,000
Total current liabilities	97,313	223,801	450	321,564
Noncurrent liabilities - bond payable	-	320,000	-	320,000
Total liabilities	97,313	543,801	450	641,564
NET ASSETS				
Invested in capital assets, net of related debt	5,358,575	6,448,194	-	11,806,769
Restricted for debt service	-	221,257	-	221,257
Unrestricted	2,428,517	1,225,417	57,378	3,711,312
Total net assets	\$ 7,787,092	\$ 7,894,868	\$ 57,378	\$ 15,739,338

See notes to the financial statements

Township of Ada

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET ASSETS - proprietary funds**

Year ended March 31, 2006

	<u>Major funds</u>		<u>Nonmajor fund</u>	
	<u>Sewer</u>	<u>Water</u>	<u>Inspections</u>	<u>Totals</u>
OPERATING REVENUES				
Charges for services:				
Utility charges	\$ 664,997	\$ 1,498,118	\$ -	\$ 2,163,115
Inspections	-	-	149,804	149,804
Total operating revenues	<u>664,997</u>	<u>1,498,118</u>	<u>149,804</u>	<u>2,312,919</u>
OPERATING EXPENSES				
Personnel costs	53,861	61,814	51,747	167,422
Supplies	13,406	41,368	4,202	58,976
Contracted services:				
Sewage treatment	440,946	-	-	440,946
Water purchases	-	1,056,416	-	1,056,416
Inspections	-	-	105,852	105,852
Other	11,563	60,122	-	71,685
Utilities	32,427	23,396	-	55,823
Repairs and maintenance	93,976	128,859	5,101	227,936
Depreciation	110,133	146,393	-	256,526
Miscellaneous	8,945	12,349	3,619	24,913
Total operating expenses	<u>765,257</u>	<u>1,530,717</u>	<u>170,521</u>	<u>2,466,495</u>
Operating loss	<u>(100,260)</u>	<u>(32,599)</u>	<u>(20,717)</u>	<u>(153,576)</u>
NONOPERATING REVENUES (EXPENSES)				
Connection fees	148,924	154,924	-	303,848
Contractual payments to the City	(148,564)	(154,564)	-	(303,128)
Interest revenue	82,784	49,252	2,014	134,050
Interest expense	-	(27,925)	-	(27,925)
Total nonoperating revenues	<u>83,144</u>	<u>21,687</u>	<u>2,014</u>	<u>106,845</u>
Loss before contributions	(17,116)	(10,912)	(18,703)	(46,731)
Capital contributions	<u>552,844</u>	<u>625,144</u>	<u>-</u>	<u>1,177,988</u>
CHANGES IN NET ASSETS	<u>535,728</u>	<u>614,232</u>	<u>(18,703)</u>	<u>1,131,257</u>
NET ASSETS - BEGINNING	<u>7,251,364</u>	<u>7,280,636</u>	<u>76,081</u>	<u>14,608,081</u>
NET ASSETS - ENDING	<u>\$ 7,787,092</u>	<u>\$ 7,894,868</u>	<u>\$ 57,378</u>	<u>\$ 15,739,338</u>

See notes to the financial statements

Township of Ada
STATEMENT OF CASH FLOWS - proprietary funds
Year ended March 31, 2006

	Major funds		Nonmajor fund	
	Sewer	Water	Inspections	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 665,399	\$ 1,504,010	\$ 149,804	\$ 2,319,213
Payments to vendors and suppliers	(623,712)	(1,320,025)	(138,537)	(2,082,274)
Payments to employees	(32,415)	(32,313)	(36,461)	(101,189)
Net cash provided by (used in) operating activities	9,272	151,672	(25,194)	135,750
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Connection fees	148,924	154,924	-	303,848
Contractual payments to City	(148,564)	(154,564)	-	(303,128)
Acquisition of capital assets	(185,403)	(22,600)	-	(208,003)
Principal payments on capital debt	-	(105,000)	-	(105,000)
Interest payments on capital debt	-	(27,925)	-	(27,925)
Net cash used in capital and related financing activities	(185,043)	(155,165)	-	(340,208)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investment	-	(70,893)	-	(70,893)
Interest received	82,784	30,052	2,014	114,850
Net cash provided by (used in) investing activities	82,784	(40,841)	2,014	43,957
NET DECREASE IN CASH	(92,987)	(44,334)	(23,180)	(160,501)
CASH - BEGINNING	2,484,819	1,347,735	79,869	3,912,423
(including \$432,781 in restricted accounts reported in the Sewer Fund)				
CASH - ENDING	\$ 2,391,832	\$ 1,303,401	\$ 56,689	\$ 3,751,922
(including \$221,257 in restricted accounts reported in the Sewer Fund)				

See notes to the financial statements

Township of Ada**STATEMENT OF CASH FLOWS - proprietary funds (Continued)**

Year ended March 31, 2006

	<u>Major funds</u>		<u>Nonmajor fund</u>	
	<u>Sewer</u>	<u>Water</u>	<u>Inspections</u>	<u>Totals</u>
Noncash capital and related financing activities:				
Acquisition of capital assets	\$ (738,247)	\$ (647,744)	\$ -	\$ (1,385,991)
Less: Capital contributions	<u>552,844</u>	<u>625,144</u>	<u>-</u>	<u>1,177,988</u>
Net cash used	<u>\$ (185,403)</u>	<u>\$ (22,600)</u>	<u>\$ -</u>	<u>\$ (208,003)</u>
Reconciliation of operating loss to net cash provided by (used in) operating activities:				
Operating loss	\$ (100,260)	\$ (32,599)	\$ (20,717)	\$ (153,576)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:				
Depreciation	110,133	146,393	-	256,526
(Increase) decrease in:				
Receivables	402	5,892	-	6,294
Prepaid expenses	(126)	(126)	(129)	(381)
Increase (decrease) in payables	<u>(877)</u>	<u>32,112</u>	<u>(4,348)</u>	<u>26,887</u>
Net cash provided by (used in) operating activities	<u>\$ 9,272</u>	<u>\$ 151,672</u>	<u>\$ (25,194)</u>	<u>\$ 135,750</u>

See notes to the financial statements

Township of Ada
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Township of Ada, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governmental units. The following is a summary of the significant accounting policies.

a) Reporting entity:

The accompanying financial statements present only the Township. There are no component units, entities for which the Township is considered to be financially accountable.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Township of Ada
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Public Safety Fund accounts for all the financial resources used by the Township to provide police and fire protection services. Revenues are primarily derived from property taxes.

The Parks and Arboretum Fund accounts for the financial resources used by the Township to maintain and improve recreational facilities. Revenues are primarily derived from property taxes.

The Township reports the following major proprietary funds:

The Sewer Fund accounts for the activities of the Township's sewage collection system.

The Water Fund accounts for the activities of the Township's water distribution system.

Private-sector standards of accounting and financial reporting issued prior to March 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector standards.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for services. Operating expenses for proprietary funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Township of Ada
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) Assets, liabilities, and net assets or equity:

i) *Bank deposits* - Cash consists of cash on hand, demand deposits, and highly liquid short-term investments with original maturities of three months or less from the date of acquisition.

ii) *Receivables* - Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

iii) *Capital assets* - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., sewer and water systems, roads, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$3,000 (\$10,000 for infrastructure assets) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets of government activities either retroactively to June 15, 1980, or prospectively. The Township has elected to account for its infrastructure assets prospectively, beginning April 1, 2005.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	50 years
Equipment	5 - 20 years
Vehicles	5 - 10 years
Infrastructure	20 - 50 years

iv) *Compensated absences* - It is the Township's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. A liability for unpaid accumulated sick pay benefits has been recorded for the portion due to employees upon separation from service with the Township. Vested compensated absences are accrued when earned in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

Vacation and sick pay benefits are accrued as the benefits are earned by the employees, as the benefits are attributable to past service and it is probable that the Township will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination of employment.

Sick leave is accrued as a liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination benefits, as well as other employees who are expected to receive such payments in the future. Unused sick leave accumulates up to a maximum accumulation of twenty-four days. Vacation leave is earned in varying amounts depending upon years of service. Unused vacation time from the prior calendar year, up to five days, may be used during the next calendar year only. Vacation leave is not accrued as it is not a vested benefit.

Township of Ada
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

v) *Fund equity* - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

vi) *Property tax revenue recognition:*

Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, after which time the bill becomes delinquent and the Township may assess penalties and interest. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township levy date is December 1, and, accordingly, the total levy is recognized as revenue in the current year.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information:

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the Township's general and special revenue funds. The budget document presents information by fund, function, department, and line-item. The legal level of budgetary control adopted by the governing body is the function level. All annual appropriations lapse at the end of the fiscal year.

Excess of expenditures over appropriations:

The following schedule sets forth significant budget variances:

<u>Fund</u>	<u>Function</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General	Public works	\$ 169,000	\$ 187,329	\$ 18,329

NOTE 3 - CASH AND INVESTMENTS:

Cash and investments, as presented in the accompanying financial statements, consist of the following:

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>
Deposits	\$ 3,491,087	\$ 3,751,922	\$ 7,243,009
Investments	<u>431,586</u>	<u>70,893</u>	<u>502,479</u>
Total	<u>\$ 3,922,673</u>	<u>\$ 3,822,815</u>	<u>\$ 7,745,488</u>

Township of Ada
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - CASH AND INVESTMENTS (Continued):

Deposits with financial institutions:

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations that have an office in Michigan. The Township's deposits are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the Township will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by depository insurance. At March 31, 2006, \$6,874,457 of the Township's bank balances of \$7,369,554 was exposed to custodial credit risk because it was uninsured. The Township believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

Investments:

State statutes authorize the Township to invest in a) obligations of the U.S. Treasury, agencies, and instrumentalities; b) commercial paper, with three (3) highest rate classifications by at least two (2) rating services, maturing not later than 270 days; c) repurchase agreements, collateralized by U.S. governmental securities; d) bankers' acceptances; e) mutual funds; and f) investment pools organized under the local government investment pool act. Not more than 50% of any mutual fund may be invested in commercial paper. The Township's investments consist of holdings in the Kent County Investment Pool, which are nonrisk-categorized qualifying investments, and are carried at cost, which approximates fair market value.

NOTE 4 - RECEIVABLES:

At March 31, 2006, the Township's receivables were as follows:

	<u>Property taxes</u>	<u>Accounts</u>	<u>Interest</u>	<u>Intergovern- mental</u>	<u>Totals</u>
Governmental funds:					
General Fund	\$ 24,759	\$ 8,462	\$ -	\$ 112,374	\$ 145,595
Public Safety Fund	31,595	1,072	-	-	32,667
Parks and Arboretum Fund	16,538	-	-	-	16,538
Total governmental activities	<u>\$ 72,892</u>	<u>\$ 9,534</u>	<u>\$ -</u>	<u>\$ 112,374</u>	<u>\$ 194,800</u>
Business-type activities:					
Sewer Fund	\$ -	\$ 132,782	\$ -	\$ -	\$ 132,782
Water Fund	-	170,474	19,200	-	189,674
Total business-type activities	<u>\$ -</u>	<u>\$ 303,256</u>	<u>\$ 19,200</u>	<u>\$ -</u>	<u>\$ 322,456</u>

Township of Ada
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS:

Capital asset activity for the year ended March 31, 2006, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets being not being depreciated - land	\$ 1,765,005	\$ -	\$ -	\$ 1,765,005
Capital assets being depreciated:				
Buildings and improvements	1,641,244	151,999	-	1,793,243
Furniture, fixtures, and equipment	1,207,850	57,984	-	1,265,834
Vehicles	1,173,370	-	-	1,173,370
Subtotal	<u>4,022,464</u>	<u>209,983</u>	<u>-</u>	<u>4,232,447</u>
Less accumulated depreciation for:				
Buildings and improvements	532,328	37,933	-	570,261
Furniture, fixtures, and equipment	541,870	72,165	-	614,035
Vehicles	399,923	57,477	-	457,400
Subtotal	<u>1,474,121</u>	<u>167,575</u>	<u>-</u>	<u>1,641,696</u>
Capital assets being depreciated, net	<u>2,548,343</u>	<u>42,408</u>	<u>-</u>	<u>2,590,751</u>
Governmental activities capital assets, net	<u>\$ 4,313,348</u>	<u>\$ 42,408</u>	<u>\$ -</u>	<u>\$ 4,355,756</u>

Township of Ada
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS (Continued):

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Business-type activities:				
Capital assets being not being depreciated - construction in process	<u>\$ 109,496</u>	<u>\$ 193,744</u>	<u>\$ 209,174</u>	<u>\$ 94,066</u>
Capital assets being depreciated:				
Facilities	14,805,202	1,401,421	-	16,206,623
Buildings	41,090	-	-	41,090
Equipment	<u>46,327</u>	<u>-</u>	<u>-</u>	<u>46,327</u>
Subtotal	<u>14,892,619</u>	<u>1,401,421</u>	<u>-</u>	<u>16,294,040</u>
Less accumulated depreciation for:				
Facilities	3,846,787	254,408	-	4,101,195
Buildings	20,520	1,370	-	21,890
Equipment	<u>37,504</u>	<u>748</u>	<u>-</u>	<u>38,252</u>
Subtotal	<u>3,904,811</u>	<u>256,526</u>	<u>-</u>	<u>4,161,337</u>
Capital assets being depreciated, net	<u>10,987,808</u>	<u>1,144,895</u>	<u>-</u>	<u>12,132,703</u>
Business-type activities capital assets, net	<u>\$ 11,097,304</u>	<u>\$ 1,338,639</u>	<u>\$ 209,174</u>	<u>\$ 12,226,769</u>

Depreciation expense was charged to governmental activities as follows:

General government	\$ 31,325
Public safety	111,263
Public works	1,405
Culture and recreation	<u>23,582</u>
Total governmental activities	<u>\$ 167,575</u>

Township of Ada
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - PAYABLES:

At March 31, 2006, the Township's payables were as follows:

	<u>Accounts</u>	<u>Payroll</u>	<u>Totals</u>
Governmental funds:			
General Fund	\$ 53,360	\$ 23,742	\$ 77,102
Public Safety Fund	29,057	12,486	41,543
Parks and Arboretum Fund	<u>1,586</u>	<u>-</u>	<u>1,586</u>
Total governmental funds	<u>\$ 84,003</u>	<u>\$ 36,228</u>	<u>\$ 120,231</u>
Proprietary funds:			
Sewer Fund	\$ 96,361	\$ 952	\$ 97,313
Water Fund	122,734	1,067	123,801
Inspections Fund	<u>450</u>	<u>-</u>	<u>450</u>
Total proprietary funds	<u>\$ 219,545</u>	<u>\$ 2,019</u>	<u>\$ 221,564</u>

NOTE 7 - NONCURRENT LIABILITIES:

At March 31, 2006, noncurrent liabilities consist of the following individual items.

Governmental activities:	
Accrued compensated absences	<u>\$ 35,613</u>
Business-type activities:	
Bonds:	
\$1,275,000 1996 Water supply system refunding bonds - payable in annual installments of \$100,000 to \$115,000, plus interest at 4.20% to 5.40%; final payment due January 2010.	<u>\$ 420,000</u>

Noncurrent liability activity for the year ended March 31, 2006, is as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
Governmental activities:					
Compensated absences	<u>\$ 52,595</u>	<u>\$ 43,383</u>	<u>\$ (60,365)</u>	<u>\$ 35,613</u>	<u>\$ -</u>
Business-type activities:					
1996 Water refunding bond	<u>\$ 525,000</u>	<u>\$ -</u>	<u>\$ (105,000)</u>	<u>\$ 420,000</u>	<u>\$ 100,000</u>

Township of Ada
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7 - NONCURRENT LIABILITIES (Continued):

At March 31, 2006, debt service requirements, excluding compensated absences, were as follows:

<u>Year ended</u> <u>March 31,</u>	<u>Business-type activities</u>	
	<u>Principal</u>	<u>Interest</u>
2007	\$ 100,000	\$ 22,075
2008	100,000	16,975
2009	105,000	11,775
2010	<u>115,000</u>	<u>6,210</u>
Totals	<u>\$ 420,000</u>	<u>\$ 57,035</u>

All debt is secured by the full faith and credit of the Township.

NOTE 8 - DEFINED CONTRIBUTION PENSION PLAN:

The Township provides pension benefits for all elected officials, full-time employees, and paid on-call firefighters through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Employees are eligible to participate at the date of employment. The Township contributes an amount equal to 5% of compensation for paid on-call firefighters and 10% of compensation for all other eligible employees. Paid on-call firefighters are required to contribute 6.2% of compensation and all other covered employees may voluntarily contribute up to 10% of their compensation to the plan. The Township's contributions for each employee (and interest allocated to the employee's account) are vested after 90 days. The Township is not a trustee of the plan, nor is the Township responsible for investment management of plan assets.

The Township and eligible employees made the required contributions of \$74,564 and \$3,569, respectively, for the year ended March 31, 2006.

NOTE 9 - ECONOMIC DEPENDENCY:

The Township received approximately 23% of its property tax revenue and 36% of its sewer and water utility revenue from one industrial customer.

NOTE 10 - CLAIMS ARISING FROM RISKS OF LOSS:

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; employee health and medical claims; injuries to employees; and natural disasters. The risks of loss arising from general liability, building contents, employees' health insurance, workers' compensation, and casualty are managed through purchased commercial insurance.

Township of Ada
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 11 - CONTINGENT LIABILITY:

In the normal course of its activities, the Township becomes a party in various legal actions. The Township is currently involved in a Michigan Tax Tribunal case, filed by a property owner, which could have a significant financial impact. Because the outcome of this lawsuit is not presently determinable, the possible range of the potential cost cannot be reasonably predicted; therefore, no accrual has been made for this amount in the financial statements. The Township intends to vigorously defend its position.

NOTE 12 - PRIOR PERIOD ADJUSTMENTS:

Prior period adjustments have been recorded in 2005 that resulted in a restatement of net assets. Net assets as of April 1, 2005, included in the government-wide and business-type financial statements, represent restated balances as presented below. The following schedule identifies the nature and amount of the adjustments recorded.

	<u>Net assets</u>	
	<u>Governmental activities</u>	<u>Business-type activities</u>
Beginning of year, as previously reported	\$ 7,773,688	\$ 14,596,134
Prior period adjustments:		
Overstatement of:		
Capital assets	(92,996)	-
Accounts receivable	-	(82,963)
Reclassify equity:		
Inspections Fund	(76,081)	76,081
Debt service funds	(18,829)	18,829
Beginning of year, as restated	<u>\$ 7,585,782</u>	<u>\$ 14,608,081</u>

Prior period adjustments have been recorded in 2005 that resulted in restatements of fund equity. Fund equity as of April 1, 2005, included in the fund statements, represents restated balances as presented below. The following schedule identifies the nature and amount of the adjustments recorded.

	<u>Fund balance</u>	<u>Net assets</u>		
	<u>Other governmental</u>	<u>Sewer</u>	<u>Water</u>	<u>Inspections</u>
Beginning of year, as previously reported	\$ 98,740	\$ 7,242,451	\$ 7,353,683	\$ -
Prior period adjustments:				
Overstatement of accounts receivable	-	-	(82,963)	-
Reclassify Inspections Fund as a proprietary fund	(76,081)	-	-	76,081
Reclassify debt service funds to the appropriate proprietary fund	(18,829)	8,913	9,916	-
Beginning of year, as restated	<u>\$ 3,830</u>	<u>\$ 7,251,364</u>	<u>\$ 7,280,636</u>	<u>\$ 76,081</u>

REQUIRED SUPPLEMENTARY INFORMATION

Township of Ada

BUDGETARY COMPARISON SCHEDULE - General Fund

Year ended March 31, 2006

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Property taxes	\$ 642,485	\$ 642,485	\$ 679,855	\$ 37,370
Licenses and permits	94,100	95,450	111,785	16,335
State grants	686,407	686,407	682,529	(3,878)
Charges for services	26,700	26,700	35,595	8,895
Interest and rentals	91,950	101,950	170,793	68,843
Other	40,450	40,450	62,918	22,468
Total revenues	<u>1,582,092</u>	<u>1,593,442</u>	<u>1,743,475</u>	<u>150,033</u>
EXPENDITURES				
Legislative	<u>35,143</u>	<u>35,143</u>	<u>28,900</u>	<u>6,243</u>
General government:				
Supervisor	43,993	43,993	42,518	1,475
Elections	44,795	44,795	20,205	24,590
Assessor	192,908	194,408	158,771	35,637
Clerk	143,869	143,869	128,869	15,000
Board of Review	1,162	1,162	1,337	(175)
Treasurer	120,063	124,563	122,932	1,631
General administration	411,823	443,823	470,470	(26,647)
Building and grounds	93,887	134,387	133,412	975
Cemetery	18,000	25,800	26,652	(852)
Total general government	<u>1,070,500</u>	<u>1,156,800</u>	<u>1,105,166</u>	<u>51,634</u>
Public works	<u>169,000</u>	<u>169,000</u>	<u>187,329</u>	<u>(18,329)</u>
Culture and recreation	<u>95,320</u>	<u>98,620</u>	<u>90,935</u>	<u>7,685</u>
Community and economic development	<u>170,226</u>	<u>170,226</u>	<u>154,404</u>	<u>15,822</u>
Capital outlay	<u>43,775</u>	<u>39,975</u>	<u>31,961</u>	<u>8,014</u>
Total expenditures	<u>1,583,964</u>	<u>1,669,764</u>	<u>1,598,695</u>	<u>71,069</u>
NET CHANGES IN FUND BALANCES	(1,872)	(76,322)	144,780	221,102
FUND BALANCES - BEGINNING	<u>1,618,457</u>	<u>1,618,457</u>	<u>1,618,457</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 1,616,585</u>	<u>\$ 1,542,135</u>	<u>\$ 1,763,237</u>	<u>\$ 221,102</u>

Township of Ada

BUDGETARY COMPARISON SCHEDULE - Public Safety Fund

Year ended March 31, 2006

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Property taxes	\$ 831,187	\$ 831,187	\$ 873,518	\$ 42,331
Federal grant	110,000	110,000	84,409	(25,591)
Interest	14,100	14,100	32,557	18,457
Other	<u>1,000</u>	<u>3,400</u>	<u>3,682</u>	<u>282</u>
Total revenues	<u>956,287</u>	<u>958,687</u>	<u>994,166</u>	<u>35,479</u>
EXPENDITURES				
Public safety:				
Police protection	325,000	325,000	319,537	5,463
Fire protection	400,467	417,175	400,154	17,021
Capital outlay	<u>35,000</u>	<u>35,000</u>	<u>20,176</u>	<u>14,824</u>
Total expenditures	<u>760,467</u>	<u>777,175</u>	<u>739,867</u>	<u>37,308</u>
NET CHANGES IN FUND BALANCES	195,820	181,512	254,299	72,787
FUND BALANCES - BEGINNING	<u>1,062,291</u>	<u>1,062,291</u>	<u>1,062,291</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 1,258,111</u>	<u>\$ 1,243,803</u>	<u>\$ 1,316,590</u>	<u>\$ 72,787</u>

Township of Ada

BUDGETARY COMPARISON SCHEDULE - Parks and Arboretum Fund

Year ended March 31, 2006

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Property taxes	\$ 423,760	\$ 423,760	\$ 457,284	\$ 33,524
Charges for services	26,050	24,175	31,455	7,280
Interest and rentals	24,900	27,550	36,628	9,078
Other	700	700	35,664	34,964
Total revenues	<u>475,410</u>	<u>476,185</u>	<u>561,031</u>	<u>84,846</u>
EXPENDITURES				
Culture and recreation	155,081	157,526	125,971	31,555
Capital outlay	<u>284,650</u>	<u>282,205</u>	<u>147,122</u>	<u>135,083</u>
Total expenditures	<u>439,731</u>	<u>439,731</u>	<u>273,093</u>	<u>166,638</u>
NET CHANGES IN FUND BALANCES	35,679	36,454	287,938	251,484
FUND BALANCES - BEGINNING	<u>640,451</u>	<u>640,451</u>	<u>640,451</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 676,130</u>	<u>\$ 676,905</u>	<u>\$ 928,389</u>	<u>\$ 251,484</u>